

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:

**PURDUE PHARMA L.P., *et al.*,

Debtors.¹**

Chapter 11

Case No. 19-23649 (RDD)

(Jointly Administered)

EXPERT REPORT OF MARK F. RULE, CFA

June 15, 2021

I. Qualifications

1. I am a Director of AlixPartners, LLP (“AlixPartners”), a financial advisory services firm that maintains offices at 909 Third Avenue, New York, New York 10022. AlixPartners was retained as financial advisor to Purdue Pharma L.P. (“PPLP”) and its subsidiaries (“Purdue”) that are debtors in possession in the above-captioned chapter 11 cases (collectively, “Debtors”, or “Debtors in Possession”), each of which filed a voluntary petition for relief under chapter 11 of

¹ The Debtors in these cases, along with the last four digits of each Debtor’s registration number in the applicable jurisdiction, are as follows: Purdue Pharma L.P. (7484), Purdue Pharma Inc. (7486), Purdue Transdermal Technologies L.P. (1868), Purdue Pharma Manufacturing L.P. (3821), Purdue Pharmaceuticals L.P. (0034), Imbrium Therapeutics L.P. (8810), Adlon Therapeutics L.P. (6745), Greenfield BioVentures L.P. (6150), Seven Seas Hill Corp. (4591), Ophir Green Corp. (4594), Purdue Pharma of Puerto Rico (3925), Avrio Health L.P. (4140), Purdue Pharmaceutical Products L.P. (3902), Purdue Neuroscience Company (4712), Nayatt Cove Lifescience Inc. (7805), Button Land L.P. (7502), Rhodes Associates L.P. (N/A), Paul Land Inc. (7425), Quidnick Land L.P. (7584), Rhodes Pharmaceuticals L.P. (6166), Rhodes Technologies (7143), UDF LP (0495), SVC Pharma LP (5717) and SVC Pharma Inc. (4014). The Debtors’ corporate headquarters is located at One Stamford Forum, 201 Tresser Boulevard, Stamford, CT 06901.

title 11 of the United States Code in the United States Bankruptcy Court for the Southern District of New York on September 15, 2019.

2. I have over 20 years of experience providing operational, financial, accounting, valuation, litigation, bankruptcy, and management consulting to clients operating in a diverse range of industries. I have consulted with companies in over 30 industries including, but not limited to, chemical, electronics, energy, entertainment, food, healthcare, insurance, manufacturing, metals and mining, mortgage, newspaper, pharmaceutical, power generation, recruiting, retail, restaurant, telecommunications, and transportation. I have worked with counsel to advise companies, boards of directors, audit and special committees, debtors, creditors' committees, lenders, and trustees during investigations, litigation and dispute matters, and bankruptcy cases. I have significant experience in the following areas, among others: accounting, flow of funds analyses, intercompany analyses, shared services analyses, alter ego and veil piercing analyses, damages analyses, valuation, and solvency analyses, among others. I have been qualified as an expert in bankruptcy court, federal court, American Arbitration Association arbitration and JAMS arbitration on issues related to accounting, damages, valuation and solvency.

3. Relevant to this matter, I have analyzed numerous accounting, intercompany, shared services and financial transactions in the context of bankruptcies, Department of Justice and/or Securities and Exchange investigations, and litigation disputes involving issues related to financial damages, valuation and/or solvency.

4. I attach my Curriculum Vitae as Appendix B, which includes a list of my expert testimony in the last four years and other relevant information related to my experience and professional credentials. I have not authored any publications in the previous 10 years.

AlixPartners has billed the Debtors for our professional services rendered in connection with preparing the May 28, 2020 Report of the Special Committee of the Board of Directors of Purdue Pharma L.P. [Dkt. 1194] (the “Intercompany and Non-Cash Transfers Report”) and this report (the “Rule Report”). My standard hourly billing rate charged to the Debtors for preparing the Intercompany and Non-Cash Transfers Report was \$895 per hour in 2019 and \$910 per hour in 2020. My billing rate charged to the Debtors for preparing the Rule Report was \$980 per hour in 2021.

II. Assignment

5. Counsel to the Debtors, Davis Polk & Wardwell LLP, and the Special Committee of the Board of Directors of Purdue Pharma, Inc., directed AlixPartners to perform a comprehensive intercompany and non-cash transfers analysis (the “Intercompany and Non-Cash Transfers Analysis”). The Intercompany and Non-Cash Transfers Analysis was based on the identification and quantification of significant transfers of value on or after January 1, 2008 made as non-cash transfers and cash payments for goods, services and other consideration among Purdue (as defined in paragraph six below), its parent, Pharmaceutical Research Associates L.P., independent associated companies (“IACs”), and Rhodes (as defined in paragraph six below). I was responsible for leading a team of AlixPartners professionals that identified and analyzed the transactions underlying the Intercompany and Non-Cash Transfers Report. The team of AlixPartners professionals working under my direction include Certified Public Accountants (CPA) with extensive forensic accounting experience and AlixPartners professionals with Certified in Financial Forensics (CFF) and Certified Fraud Examiner (CFE) credentials.

6. The objectives of the Intercompany and Non-Cash Transfers Analysis were to:
(1) identify, quantify and document the amount of all significant cash payments for goods,

services and other consideration (including, but not limited to, royalties, licensing of rights, business services, and rent) transferred from January 1, 2008 to September 15, 2019 (regardless of the direction of the payment) between: (a) Purdue Pharma L.P. (“PPLP”) together with its subsidiaries (collectively, “Purdue”) and IACs; (b) Rhodes Technologies (“Rhodes Tech”), Rhodes Pharmaceuticals L.P. (“Rhodes Pharma”) (collectively, “Rhodes”) and IACs; and (c) Purdue and Rhodes (collectively, the “Intercompany Transfers”); and (2) identify, quantify and document the amount of all significant non-cash transfers from Purdue to its parent entity, Pharmaceutical Research Associates L.P. (formerly known as Purdue Holdings L.P.) and/or its previous parent entity, PLP Associates Holdings L.P. (collectively, “PRA L.P.”) (the “Non-Cash Transfers”).

III. Summary of Opinions

7. In preparing the Intercompany and Non-Cash Transfers Analysis, my team and I identified 37 categories of transfers involving Purdue, Rhodes, the IACs, and PRA L.P. from January 1, 2008 through September 15, 2019, comprised of 27 Intercompany Transfers and 10 Non-Cash Transfers.

8. A summary of the 27 Intercompany Transfers is reflected in the table below:

Payments From	Payments To	Categories of Transfers	Amount
Purdue	IACs	14	\$ 667,864,825
Purdue	Rhodes	1	644,442,441
Rhodes	Purdue	5	425,483,519
Rhodes	IACs	1	5,251,087
IACs	Purdue	4	683,503,568
IACs	Rhodes	2	140,778,999

9. The amounts reflected in the table above and throughout this report represent the gross amounts paid in connection with the intercompany transfers between Purdue and the IACs,

Purdue and Rhodes, and Rhodes and the IACs. These amounts do not take into account the value of any goods, services or other consideration received in exchange for these payments.

10. The 10 Non-Cash Transfers from Purdue to PRA L.P., not included in the table above, totaled \$410.3 million.

11. The full findings and results of the Intercompany and Non-Cash Transfers Analysis are set forth in the Intercompany and Non-Cash Transfers Report. I incorporate by reference the entirety of the Intercompany and Non-Cash Transfers Report, a true and accurate copy of which is attached as Appendix A.

12. **Transfers Between Purdue and the IACs:** From January 1, 2008 to September 15, 2019, the total amount paid by Purdue to the IACs in connection with certain intercompany transfers identified in the chart on page 13 of the Intercompany and Non-Cash Transfers Report was \$667.9 million. (*See* Dkt. 1194-1 at 13.) The total amount paid by the IACs to Purdue in connection with the intercompany transfers identified in the same chart for the same period was \$683.5 million. Additional details regarding these intercompany transfers are provided in Exhibits 1A-1R of the Intercompany and Non-Cash Transfers Report.

13. **Transfers Between Rhodes and the IACs:** From January 1, 2008 to September 15, 2019, Rhodes received a total of \$140.8 million from the IACs in connection with certain intercompany transfers identified in the chart on page 14 of the Intercompany and Non-Cash Transfers Report. (*See* Dkt. 1194-1 at 14.) The total amount paid by Rhodes to the IACs in connection with the intercompany transfers identified in the same chart for the same period was \$5.3 million. Additional details regarding these intercompany transfers are provided in Exhibits 2A-2C of the Intercompany and Non-Cash Transfers Report.

14. **Transfers Between Rhodes and Purdue:** From January 1, 2008 to September 15, 2019, the total amount paid by Rhodes to Purdue in connection with certain intercompany transfers identified in the chart on page 15 of the Intercompany and Non-Cash Transfers Report was \$425.5 million. (*See* Dkt. 1194-1 at 15.) The total amount paid by Purdue to Rhodes in connection with the intercompany transfers identified in the same chart for the same period was \$644.4 million. Additional details regarding these intercompany transfers are provided in Exhibits 3A-3F of the Intercompany and Non-Cash Transfers Report.

15. **Transfers Between Purdue and PRA L.P.:** Total non-cash transfers from Purdue to PRA L.P. from January 1, 2008 to September 15, 2019 were \$410.3 million. This number reflects the value attributed to transfers in Purdue's accounting records, and may not reflect the transfers' fair market value. Additional details regarding these transfers are provided in Exhibits 4A-4J of the Intercompany and Non-Cash Transfers Report.

16. **Intercompany Charges:** For certain transfers identified in the chart on page 17 of the Intercompany and Non-Cash Transfers Report, Purdue, Rhodes, and the IACs incurred intercompany charges that were settled periodically on a net basis instead of with individual cash payments. (*See* Dkt. 1194-1 at 17.) Sixty-nine percent of the activity identified in the Intercompany and Non-Cash Transfers Report was accounted for through intercompany charges.

17. **Contracts:** Full or partial contracts were identified for 28 of the 37 categories of transfers analyzed in the Intercompany and Non-Cash Transfers Report. (*See* Dkt. 1194-1 at 18.)

18. **Reconciliation of Intercompany Transfers and Non-Cash Transfers with the October 19, 2018 MDL Presentation:**

19. The tables below compare the amounts identified in the Intercompany and Non-Cash Transfers Analysis with the amounts identified by Purdue and presented to the Court in the

Multidistrict Litigation (“MDL” and “MDL Presentation”). The amounts contained in the MDL Presentation were largely confirmatory of the findings contained in the Intercompany and Non-Cash Transfers Report, despite some relatively immaterial differences.

Executive Summary - Reconciliation with The MDL Presentation - Cash Transfers of Value										
Exhibit	Payments From	Payments To	Description	2016 (\$ millions)			2017 (\$ millions)			Net Difference
				MDL	AlixPartners	Difference	MDL	AlixPartners	Difference	
1A	Purdue	Mundipharma International Limited (US)	Manufacturing services support	\$ 1.7	\$ 2.3	\$ (0.6)	\$ 2.2	\$ 1.7	\$ 0.5	\$ (0.1)
1B	Purdue	One Stamford Realty L.P.	Office space	Not quantified	8.6	n/a	7.2	8.6	(1.4)	\$ (1.4)
1C	Purdue	Purdue Pharma Technologies, Inc.	Audit, security & EHS services	Not quantified	n/a	n/a	Not quantified	n/a	n/a	n/a
1D	Purdue	Purdue Pharma Technologies, Inc.	Finished products from 3rd parties	21.3	21.3	-	13.1	-	-	-
1E	Purdue	The P.F. Laboratories	CMO services	Not quantified	n/a	n/a	Not quantified	n/a	n/a	n/a
1F	Purdue	The Terramar Foundation, Inc.	Office space	Not quantified	2.3	n/a	2.3	-	-	n/a
1G	Purdue	TXP Services Inc.	Financial and tax services	1.4	1.4	-	1.6	1.6	-	-
1H	Purdue	Mundipharma Research Limited	R&D services	9.3	10.0	(0.7)	8.3	10.7	(2.4)	(3.1)
1I	Purdue	Mundipharma EDO GmbH	R&D services	4.2	2.7	1.5	7.1	5.9	1.2	2.7
1J	Purdue	Mundipharma International Limited (UK)	Director consulting and legal services	0.5	0.6	(0.1)	0.9	1.1	(0.2)	(0.3)
1K	Rhodes	Mundipharma A.G.	MS Contin royalties	Not quantified	1.2	n/a	Not quantified	0.2	n/a	n/a
1L	Purdue	PRA	Betadine and Senokot royalties	Not quantified	0.0	n/a	1.8	1.8	-	n/a
1M	Purdue	Purdue Pharma Canada	Manufacturing and packaging services	Not quantified	3.3	n/a	Not quantified	4.0	n/a	n/a
1N	Purdue	Purdue Pharma Canada	Adhansia assets	Not quantified	n/a	n/a	Not quantified	n/a	n/a	n/a
1O	E.R.G. Realty	Purdue	Loan	Not quantified	0.3	n/a	Not quantified	0.3	n/a	n/a
1P	Various IACs	Purdue	Accounting, HR & similar services	Not quantified	\$ -	n/a	Not quantified	\$ -	n/a	n/a
1Q	Foreign IACs	Purdue	Finished products	6.2	6.2	-	4.9	4.9	-	-
1R	Foreign IACs	Purdue	Oxycontin royalty payments	36.3	36.2	0.1	15.3	15.2	0.1	0.2

Exhibit	Payments From	Payments To	Description	2016 (\$ millions)			2017 (\$ millions)			Net Difference
				MDL	AlixPartners	Difference	MDL	AlixPartners	Difference	
2A	Various IACs	Rhodes Tech	API purchases	Not quantified	\$ 15.1	n/a	Not quantified	\$ 20.2	n/a	n/a
2B	Foreign IACs	Rhodes Tech	IAM region finished product	Not quantified	0.0	n/a	Not quantified	n/a	n/a	n/a
2C	Rhodes Pharma	Mundipharma Laboratories GMBH	Theophylline	Not quantified	1.5	n/a	Not quantified	0.5	n/a	n/a

Exhibit	Payments From	Payments To	Description	2016 (\$ millions)			2017 (\$ millions)			Net Difference
				MDL	AlixPartners	Difference	MDL	AlixPartners	Difference	
3A	Rhodes Pharma	Purdue	CMO services	\$ 43.6	\$ 39.2	\$ 4.4	\$ 41.2	\$ 41.2	\$ -	\$ 4.4
3B	Rhodes	Purdue	IT, benefit, distribution & development services	7.2	7.9	(0.7)	8.5	9.0	(0.5)	(1.2)
3C	Rhodes Pharma	Purdue	Dilaudid generic & branded license	Not quantified	-	n/a	Not quantified	-	n/a	n/a
3D	Rhodes Pharma	Purdue	Morphine Sulfate Extended Release rights	Not quantified	-	n/a	-	-	-	-
3E	Rhodes Pharma	Purdue	Butran AG profit-sharing	Not quantified	n/a	n/a	15.6	15.6	-	-
3F	Purdue	Rhodes Tech	API purchases	42.9	42.9	-	30.4	44.2	(13.8)	(13.8)

Executive Summary - Reconciliation with The MDL Presentation - Non-Cash Transfers of Value							
(\$ millions)							
Exhibit	Transfer From	Transfer To	Description	Year	MDL (\$ millions)	AlixPartners (\$ millions)	Difference
4A	Purdue	PRA L.P.	Equity of Coventry Technologies L.P.	2008	\$ 52.3	\$ 52.3	\$ -
4B	Purdue	PRA L.P.	Stock of Infinity Pharmaceuticals, Inc.	2008	21.2	21.2	-
4B	Purdue	PRA L.P.	Stock of Infinity Pharmaceuticals, Inc.	2009	11.8	11.8	-
4B	Purdue	PRA L.P.	Stock of Infinity Pharmaceuticals, Inc.	2013	230.1	230.1	-
4C	Purdue	PRA L.P.	Equity of Millsaw Realty L.P.	2009	7.4	7.4	-
4D	Purdue	PRA L.P.	Stock of Kolttan Pharmaceuticals	2009	13.0	13.0	-
4D	Purdue	PRA L.P.	Stock of Kolttan Pharmaceuticals	2014	2.2	2.2	-
4E	Purdue	PRA L.P.	Stock of Novelos Therapeutics, Inc.	2009	23.1	23.1	-
4F	Purdue	PRA L.P.	Equity of Lucien Holdings S.ar.l.	2010	(0.5)	(0.5)	-
4G	Purdue	PRA L.P.	Equity of New Suffolk Holdings LLP	2010	32.8	32.8	-
4H	Purdue	PRA L.P.	Right to non-ADF OxyContin	2017	-	-	-
4I	Purdue	PRA L.P.	Rights to Dilaudid	2017	16.9	16.9	-
4J	Purdue	PRA L.P.	Rights to MS Contin	2017	-	-	-

IV. Intercompany and Non-Cash Transfers Report

20. As set out above, the objectives of the Intercompany and Non-Cash Transfers Analysis were to identify, quantify and document the amount of all significant cash payments for goods, services, and other consideration between Purdue, Rhodes and IACs, as well as all significant non-cash transfers from Purdue to its parent entity, PRA L.P.

a. Methodology and Assumptions

21. In order to form our conclusions in the Intercompany and Non-Cash Transfers Report, we reviewed and relied upon various sources of information from Purdue, Rhodes, and TXP Services Inc. (“TXP”). These materials include: (1) entity organizational charts; (2) SAP accounting system information; (3) audited financial statements; (4) internal financial statements, reports, schedules and/or SAP accounting records for PPLP, Rhodes, and other entities in which the Sackler Family members own a controlling interest or which are operated or owned for their benefit (collectively, “Affiliated Entities,” including IACs) whose books and records are maintained in the same SAP accounting system as PPLP and Rhodes; (5) documentation evidencing, supporting or relating to the intercompany and non-cash transfers made by Purdue, Rhodes and the IACs; (6) the October, 19, 2018 MDL Presentation in the Northern District of Ohio; (7) interviews of Purdue, Rhodes and TXP employees; and (8) the Statements of Financial Affairs and Schedules of Assets and Liabilities filed with the United States Bankruptcy Court for the Southern District of New York in October of 2019. The specific sources relied upon in forming my opinions and conclusions are set out in Appendix 2 to the Intercompany and Non-Cash Transfers Report. (*See* Dkt. 1194 at 394-397.) A detailed list of these materials is appended to the Rule Report as Appendix C.

22. As the Director with overall engagement responsibility for the AlixPartners’ team that prepared the Intercompany and Non-Cash Transfers Report, I believe that the conclusions set forth therein are true and accurate at the time given, and remain true and accurate.

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Dated: June 15, 2021



By:

Mark F. Rule, CFA
AlixPartners, LLP
Financial Advisors to the Debtors, Debtors in
Possession and Special Committee of the Board of
Directors of Purdue Pharma Inc.